

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

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CC:PSI:B03

PLR-129434-11

Date: December 8, 2011

LEGEND

Company =

State =

Trust1 =

Trust2 =

Date1 =

Date2 =

Date3 =

Dear :

This letter responds to a letter dated July 6, 2011, submitted on behalf of Company by its authorized representative, and subsequent correspondence, requesting a ruling under § 1362(f) of the Internal Revenue Code.

FACTS

Company is a State corporation that elected to be an S corporation as of Date1. Trust1 received shares of Company on Date2. Trust1 then sold all of its Company

shares to Trust2 on Date3. Trust2 also received Company shares as gifts on Date3. Trust1 and Trust2 (collectively "Trusts") failed to make timely elections to be treated as Qualified Subchapter S Trusts (QSST). As a result, Company's S corporation election terminated as of Date2.

Company represents that the failure to file correct QSST elections was inadvertent and not motivated by tax avoidance or retroactive tax planning. For all relevant taxable years, Company and Company's shareholders' filed their federal income tax returns consistent with Company qualifying as an S corporation, and Trusts have filed consistent with Trusts having valid QSST elections in effect as of Date2. In addition, Company and Company's shareholders agree to make any adjustments consistent with the treatment of Company as an S corporation as may be required by the Secretary with respect to the period specified by § 1362(f).

LAW

Section 1362(f) provides that if (1) an election under § 1362(a) by any corporation (A) was not effective for the taxable year for which made (determined without regard to § 1362(b)(2)) by reason of a failure to meet the requirements of § 1361(b) or to obtain shareholder consents or (B) was terminated under § 1362(d)(2) or (3), (2) the Secretary determines that the circumstances resulting in the ineffectiveness or termination were inadvertent, (3) no later than a reasonable period of time after discovery of the circumstances resulting in the ineffectiveness or termination, steps were taken (A) so that the corporation is a small business corporation or (B) to acquire the shareholder consents, and (4) the corporation and each person who was a shareholder of the corporation at any time during the period specified pursuant to § 1362(f), agrees to make such adjustments (consistent with the treatment of the corporation as an S corporation) as may be required by the Secretary with respect to such period, then, notwithstanding the circumstances resulting in the ineffectiveness or termination, the corporation will be treated as an S corporation during the period specified by the Secretary.

CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that the termination of Company's S corporation on Date2 was inadvertent within the meaning of § 1362(f). We further hold that, pursuant to the provisions of § 1362(f), Company will be treated as continuing to be an S corporation from Date2 and thereafter, provided Company's S corporation election was valid and provided that the election was not otherwise terminated under § 1361(d).

This ruling is conditioned upon on the trustees of Trusts filing valid QSST elections, effective Date2, with the appropriate service center within 120 days of the

date of this letter. If Company or its shareholders fail to treat themselves as described above, this ruling is null and void.

Except as specifically ruled above, we express no opinion concerning the federal tax consequences of the transactions described above under any other provisions of the Code. This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Under a power of attorney on file with this office, we are sending a copy of this letter to Company's authorized representative.

Sincerely,

Richard T. Probst
Senior Technician Reviewer, Branch 3
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for Section 6110 purposes